A PRESENTATION AT ANNUAL CONFERENCE OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA.

THE IMPLEMENTATION OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) IN NIGERIA:

THE JOURNEY SO FAR

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Objectives of the Presentation

- At the end of this presentation, the members of the Institute would be able to:
  - Appreciate the Policy Thrust of Government Adoption of IPSAS
  - Understand what IPSAS is and the benefits
  - Appreciate the IPSAS Governance Structure in Nigeria
  - Understand the key milestones of implementation of IPSAS
  - Note the agreed timeline for IPSAS implementation in Nigeria
Objectives of the presentation cont’d

- Appreciate the key stakeholders in IPSAS implementation/Roles of the Accountants especially ICAN members
- Note the steps planned towards successful implementation of IPSAS Accrual Basis by 2016
- Highlight critical success factors
Introduction

- The Federal Executive Council (FEC) at its meeting of 28th July, 2010 approved that the Country should adopt the provisions of the International Financial Reporting Standards (IFRS) and IPSAS for Private and Public Sectors respectively.

- To positively implement the decision of FEC, the Federation Account Allocation Committee (FAAC) at its meeting held on 13th June, 2011 set up a Technical Sub-Committee to provide a Roadmap for the implementation of IPSAS in the three tiers of government in Nigeria.

- The Sub-Committee had membership from the three tiers of Government.
What is IPSAS?

- “International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.”
- The standards are issued by the International Public Sector Accounting Standard Board (IPSASB,) an independent body set up by the International Federation of Accountants (IFAC).
- Government Business Enterprises (GBEs) are to apply the International Financial Reporting Standards (IFRS) used by the private sector.

**Objective**

- To improve the quality of general purpose financial reporting by public sector entities, leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability

**Scope**

- For application by *national, states and local governments*
- IPSAS are widely used by intergovernmental organisations
**Political and Economic Significance**

**Political Benefits**

- **Accountability**: increased disclosure in accounting reports;
- **Transparency**: Full disclosure of government financial transactions;
- **Decision making**: Provide the executive and legislature with bases for their decisions on the allocation of resources;
- **Basis for efficient and effective public sector management**;
  - **Improved Credibility/Integrity**: Standards independently set and known world-wide;
  - **International Best Practice & Comparability**: IPSAS seeks to ensure that financial statements are comparable across jurisdictions;
- Enables Stakeholders to assess how well their resources have been utilized.

**Enhanced Implementation of the Freedom of Information (FOI) Act 2011**: The accountability and transparency requirements of IPSAS are consistent with and supports the provisions of the Nigerian FOI Act 2011 which seeks to promote access to government information.
Political and Economic Significance ...

**Economic Benefits**

- **Aggregate Reporting:** Adoption of IPSAS will ensure a holistic reporting of government financial transactions and positions;

- **Improved Service Delivery:** Greater accountability and transparency, will improve Value for Money (VFM) spending;

- **Enhance Public-Private Partnership arrangements:** collaborative efforts between the public and private sectors are deepened due to use of similar standards;

- **Comparability:** IPSAS and IFRS are similar and this common basis makes for convergence in accounting of both sectors on comparable matters;

- **Building confidence in Donor Agencies and Lenders:** increases the country’s access to international aids / loans and other development assistance;

**Competitiveness in the global market place**

**Increased Cross-border Investment and Foreign Direct Investment:** increases the propensity to generate more cross-border and foreign direct investments through greater transparency and a lower cost of capital for potential investors.
Governance Structure for IPSAS implementation - Federal/State Level

**FAAC Sub-Committee on IPSAS**

**FGN/State IPSAS Implementation Committee**

**IPSAS Project Management Team**

**Office of the Auditor General for the Federation/State**

- **FGN/State Ministerial Steering Committee (Policies on IPSAS)**

**Special Teams**

(a) IPSAS Technical Study Group (Team)
(b) Valuation and Property Services Team
(c) NCOA Development Team (Programme segment etc)
(d) Fund Management Team
(e) IPSAS Compliant Financial Statements Team.
Key Milestones Achieved

• The following activities have been achieved by the IPSAS Committee:
  
  ❖ Enlightenment/Sensitization:
    
    ➢ Political Leaders in the three tiers of Government on the need for the adoption of IPSAS;
    ➢ Exposure of IPSAS to stakeholders in the three tiers of Government;
    ➢ Sensitization Workshops for Stakeholders in the six geo-political zones of the country;
    ➢ Procurement and Distribution of a book, “IPSAS Explained” by Thomas Muller; and
    ➢ Training of identified key stakeholders.
Key Milestones Achieved Cont’d.

- Training on the developed National Chart of Accounts (NCOA), Users’ Manual of the NCOA and the format of the General Purpose Financial Statements (GPFS) for IPSAS Cash and Accrual;
- Conducted Gap Analysis of IPSAS in the Federal Government, 36 States, Federal Capital Territory (FCTA) and the Local Government Councils (LGC);
- Collaboration with the World Bank and Other Development Partners;
- Development of NCOA;
- Preparation of the Users’ Manual of the NCOA
Key milestones on IPSAS implementation cont’d.

- Development of Format of the GPFS-IPSAS Cash Basis including Statutory Reports, Statistical Reports, Performance Reports and Accounting Policies;
- Development of Format of the GPFS - IPSAS Accrual Basis including Statutory Reports, Statistical Reports, Performance Reports and Accounting Policies;
- IPSAS Compliant Budget Templates
- Publication of ‘Adoption of IPSAS- What You Need to Know’;
- Issuance of National Circular approved by FAAC to ensure compliance by all Public Sector Entities
Based on the recommendations of the Sub-Committee, FAAC has approved the adoption of IPSAS as follows:

- **2014**: IPSAS CASH BASIS
- **2016**: IPSAS ACCRUAL BASIS
STAKEHOLDERS IN the adoption and implementation of IPSAS

- Executive-President, Governors, Commissioners etc.
- Legislators
- Judiciary
- Accounting Officers of MDA
- MDAs
- Providers of Funds (Donor Agencies)
- Accountants, Auditors, Valuers
- The Media
- The Civil Society
- Etc.
Role of the Accountants

As a key stakeholder in Public Financial Management (PFM), it is expected that Accountant will see to the successful implementation of IPSAS in Nigeria:

- Support entities on ownership of the policy
- Provide the strategic direction for IPSAS implementation in the respective MDA where Accountants act as Consultants
- Ensure that the GPFS of entities they audit are in line with the provisions of IPSAS
- Advise entities on the process for data migration of IPSAS Assets and Liabilities to IPSAS Accrual Basis by 2016.
Role of the Accountants Contd.

- Operate within the National Vision 20:2020 and Budgetary Framework
- Use the NCOA for budgeting, accounting and reporting process (ensure daily postings of accounting records of entities are line the NCOA)
- Provide support in training of technical and operating personnel
- Utilize the reports generated for strategic planning and operational decisions
- Promote IPSAS activities in the MDA through training and retraining.
Role of the Treasury

• Continue to be a vibrant anchor for the adoption and implementation of IPSAS
• Spearhead intensive capacity building of key stakeholders across MDAs
• Provide robust and integrated ICT framework for IPSAS adoption and implementation
• Ensure continuous provision of GPFS
• Develop and install a robust internal quality assurance and risk management mechanism in the application of IPSAS
• Identify Public Financial Management (PFM) legislations that need to be amended to be in line with IPSAS
• Be conversant with and disseminate developments on IPSAS
Steps towards successful implementation of IPSAS accrual by 2016

- Implementation of the approved Governance Structure for IPSAS in Nigeria
- Setting up of Steering Committee (Policy Organ of IPSAS)
- Setting up of IPSAS Implementation Committee by the Federal Government (Implementing the Polices)
- Setting up of IPSAS Implementation Committee at all the MDAs
- Setting up IPSAS Project Management Team in the OAGF
Steps towards successful implementation of IPSAS  Contd.

- Setting up of IPSAS Assets and Liabilities Division in the Finance and Accounts Department in all MDA
- Use of the NCOA by Public Sector Entities
- Issuance of Guidelines on transition to Accrual Accounting by 2016
- Designing of Templates for the preparation of Programme Based Budget.
- Setting up of IPSAS Technical Study Group
Steps towards successful implementation of IPSAS  Contd.

- Monitoring and Evaluation of the activities of IPSAS Implementation Committees set up by the three tiers of Government
- Capacity Building of relevant implementation stakeholders
- Sourcing for appropriate Software that will drive IPSAS and the NCOA
- Timely review of Financial Reports and Budgets prepared by Entities to ensure compliance with the Standards
- Domestication of Standards to ensure better understanding by the implementers.
Steps towards successful implementation of IPSAS  Contd.

- Technical support to Entities on issues concerning IPSAS Implementation.
- Ensure amendment of the Finance Control and Management Act.
- Harmonisation of the Financial Regulations and the Treasury Manual of the FGN, Financial Instructions of States and Financial Memoranda of LG into one PFM Regulations
Issues and Challenges

- **Seamless consolidation** of the Fiscal Reports of the three tiers of Govt. with uniform reporting format of having the same Chart of Accounts.
- Need for the **right staffing skills and levels**
- ** Relevant enabling legislations** need to be changed in line with reality of the requirements of IPSAS.
- **IT Hardware and Software development** to automate the process.
- **Relevant Accounting** manuals be reviewed and rewritten.
- **Training and retraining** of Accounting personnel.
- **Central guidance** is critical
- **Automation of the Business Process** is very critical.
- **Change Management**
Issues and Challenges Cont’d

- **Accounting curricula** need to systematically convey IPSAS to students of Accountancy.

- **Continuing Professional Education** on Ethics and Professional Responsibility

- **The profession needs to make commitment to producing IPSAS specialist.** Such experts will be available as resource persons in cases where IPSAS is in use. IPSAS specialist should be knowledgeable about available resources that can help answer professional responsibility question. An IPSAS specialist should work to maintain an environment that stresses the importance of IPSAS adoption and implementation.
Key Success factors

- Sustained Political will-Approval of FEC and FAAC
- Ownership
- Technical capacity- training, re-training and personnel development
- Public Orientation and Enlightenment
- Automated Information Systems-GIFMIS Platform
- Adequate Finance
- Modular implementation-NCAO, Budget reform
- Legal Framework
- etc
Conclusion

• IPSAS creates significant policy change in PFM to promote accountability, transparency and good governance.

• It will impact on policy, processes and people.

• The process of adoption and implementation involves all stakeholders particularly the Accountants.

• Effective participation and commitment by all stakeholders are essential for a successful transition.
THANK YOU

Nigeria has agreed to adopt IPSAS provisions. Necessary framework already developed. Appreciate your roles in the process. Propagate the policy.